



529 Plan Informational Briefing

**U.S. Securities and Exchange
Commission**

July 12, 2011



CSPN Representatives

Joan Marshall – CSPN Chair & Executive Director, College Savings Plans of Maryland

Mary Morris – CSPN Executive Board member & CEO, Virginia College Savings Plan

Mary Anne Busse – Co-Chair, CSPN Legal/Regulatory Affairs Committee; Member, CSPN Corporate Affiliates Committee; & Managing Director, Great Disclosure LLC

Jamie Canup – Vice Chair, CSPN Corporate Affiliates Committee; Member, CSPN Legal/Regulatory Affairs Committee; CSPN Strategic Planning Committee; & Partner, Kaufman & Canoles, P.C.

Christopher Hatcher – Principal, Williams & Jensen, PLLC



Continuing increases in college costs and student loan debt reinforce the need for American families to save for college. Study also affirms the aspirational value of a college savings account

Student loan debt surpasses credit card debt

\$829.785 billion - Student loans outstanding as of August, 2010 — both federal and private — according to **Mark Kantrowitz**, publisher of FinAid.org and FastWeb.com.

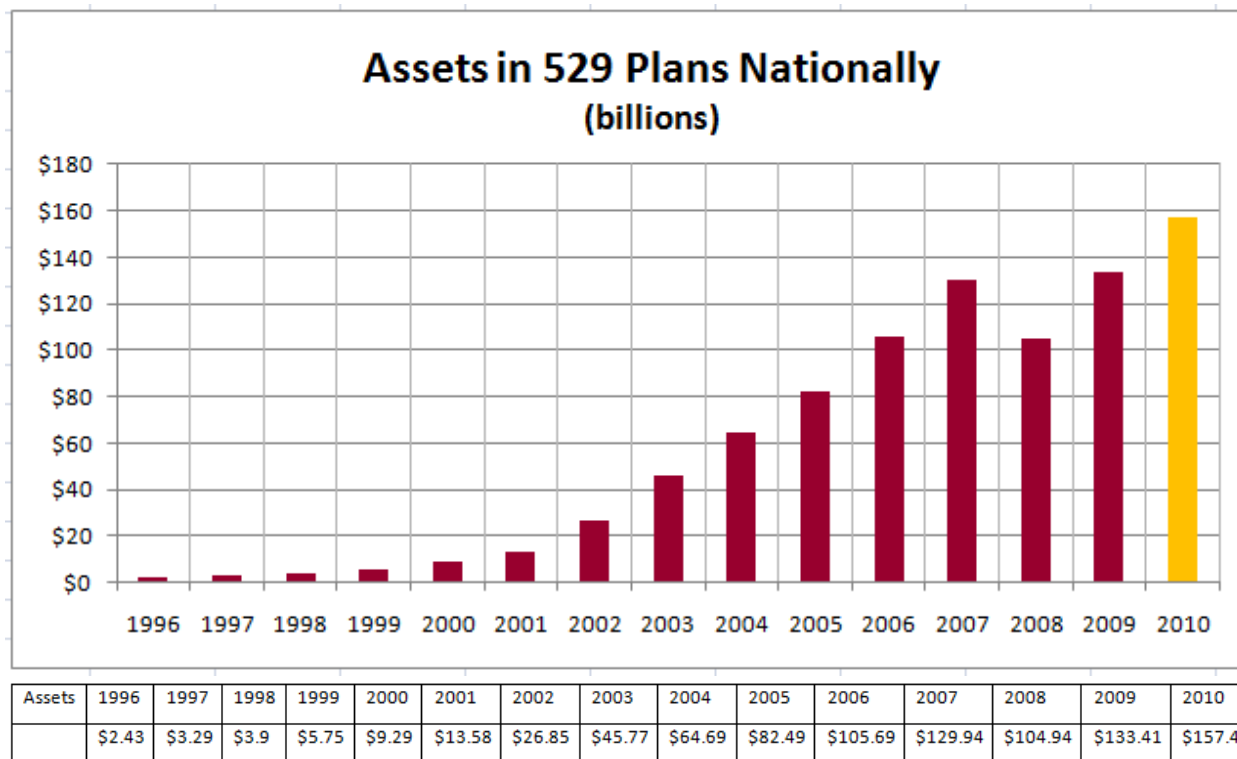
\$826.5 billion - Americans owe in revolving credit, according to June 2010 figures from the **Federal Reserve**. (Most of revolving credit is credit-card debt.)

Students who have any amount saved for higher education in their name are six times more likely to attend a four-year college than children with no dedicated college savings account. (Source: Center for Social Development)



National 529 Market – as of 12/31/10

- Assets reach record high level of \$157.4 billion
- 18% increase in assets during 2010
- Strong and consistent recovery from 2008 market decline

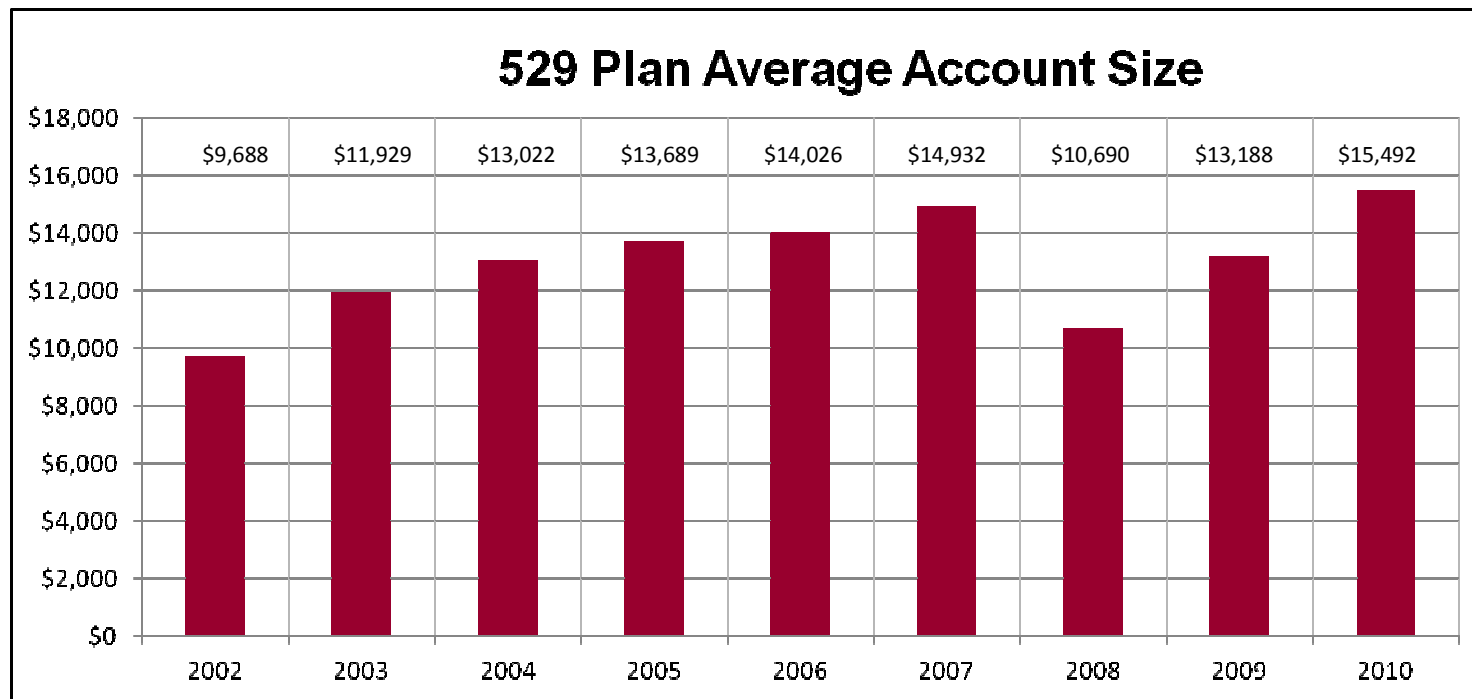


CSPN's 529 Report – April 2011



Average Account Size – as of 12/31/10

- Record high of \$15,492 - 17.5% increase during 2010
- **Average account size is still less than today's one-year total average cost of attending an in-state public college, reported by the College Board to be \$16,140 for 2010-2011.**





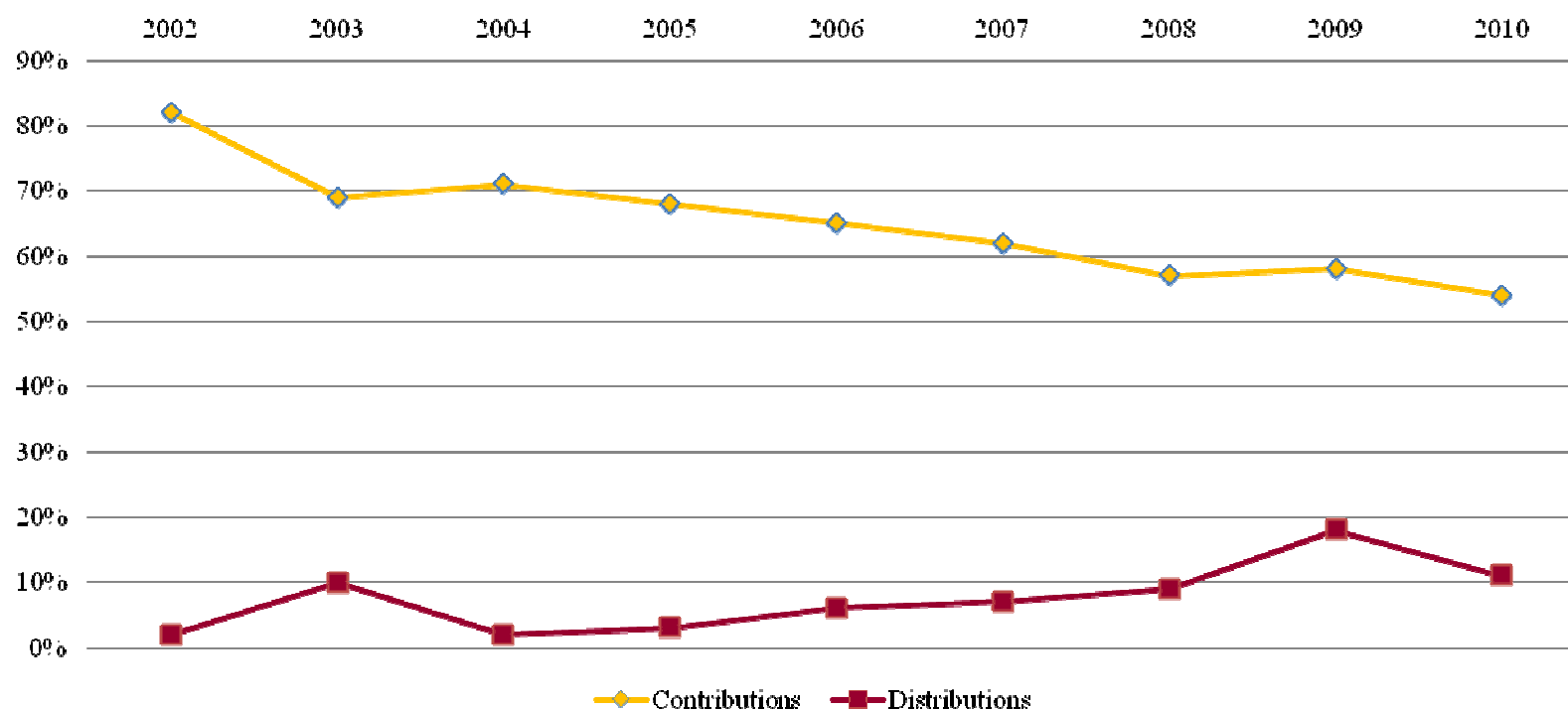
Account Activity - 2010

- \$18 billion contributed to new and existing 529 accounts.
- 54% of all 529 accounts received contributions, which is down slightly from 58% as reported December 31, 2009.
- 1.1 million 529 accounts (11% of all accounts) took a distribution. This represents 5% of the total number of U.S. college students, reported by the Chronicle of Higher Education to be 22 million as of 2007-2008.



Account Activity – 2010 (cont.)

Percent of Accounts with Activity



% of accounts with	2002	2003	2004	2005	2006	2007	2008	2009	2010
Contributions	82%	69%	71%	68%	65%	62%	57%	58%	54%
Distributions	2%	10%	2%	3%	6%	7%	9%	18%	11%
Rollovers	0.69%	0.74%	0.82%	0.79%	0.71%	0.92%	0.78%	0.63%	0.85%

CSPN's 529 Report – April 2011



529 Plans/Investment Options

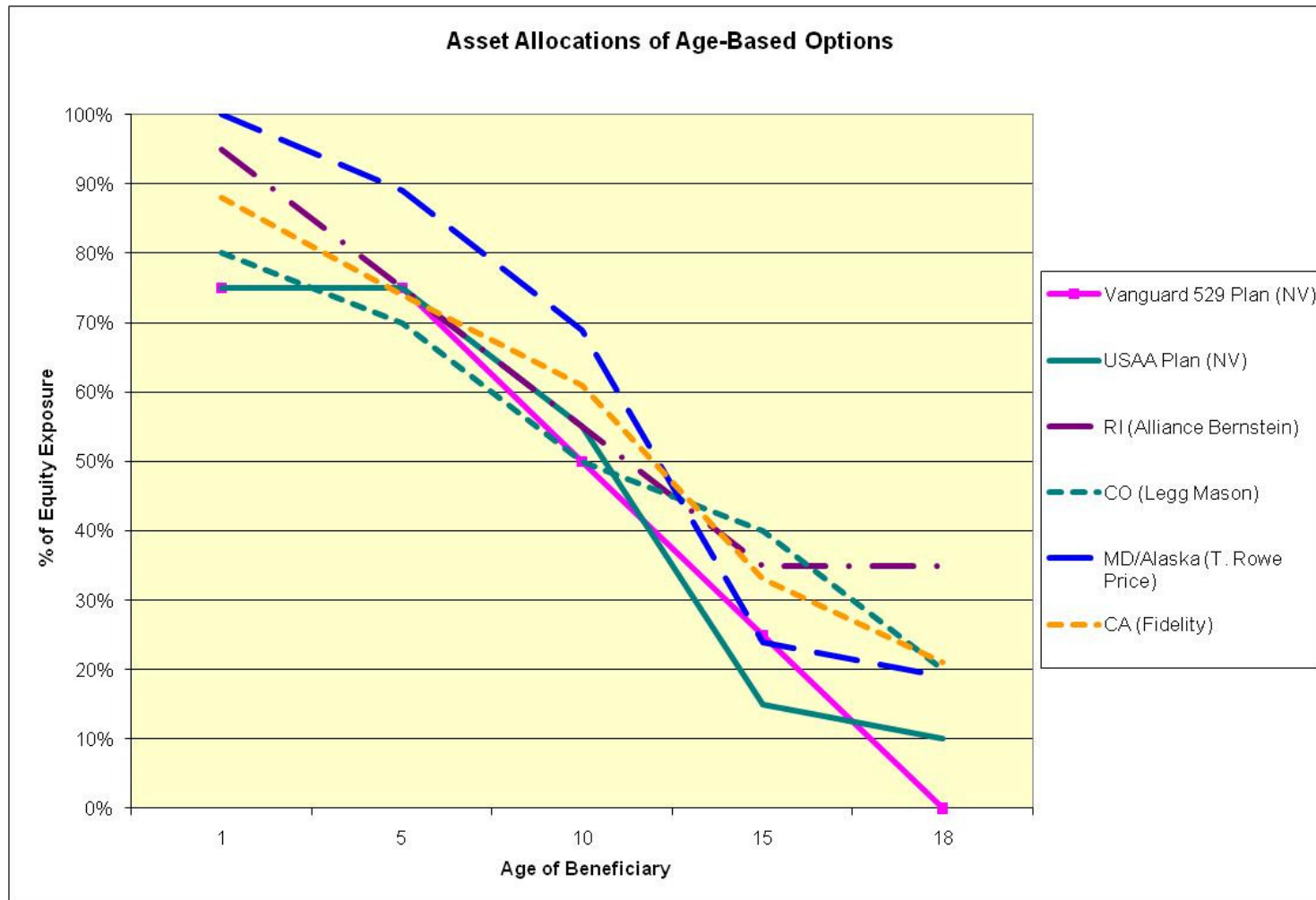
- 90 Savings Plans / 12 Open Prepaid Tuition Plans
- Total Savings Plan Investment Options:
 - 1069 Direct Sold
 - 706 Class A Share
 - 360 Class B Share
 - 655 Class C Share
- 73 Savings Plans offer Age-Based options
- 14 states offer FDIC or NCUA insured investment options
- All plans offer investment options that typically include static allocations to fixed income and/or equity

Source: CollegeSavings.org



529 Plans/Investment Options (cont.)

Representative Sample of Age-Based Options





529 Plan Fees Continue to Decline

For **direct sold plans**, average Total Annual Asset Based Fees have declined by 15 basis points during the past 3 years.

The average Total Annual Asset Based Fee is **0.59%** as of 7/6/11.

This compares with past average Total Asset Based Fees of:

0.72% as of 2/9/09

0.745% as of 4/28/08

For **advisor sold plans**, average Total Annual Asset Based Fees have declined by 10 basis points during the past 3 years.

The average Total Annual Asset Based Fee for Class A shares is **1.21%** and the average Initial Sales Charge is 4.75% as of 7-6-11.

This compares with the average Total Annual Asset Based Fees for Class A shares of 1.25% as of 2/9/09 and 1.31% as of 4/24/08, with an average Initial Sales Charge of 4.75% that has held steady over the entire time period.



529 Plan Fees compare favorably with 401(k) Plan Fees

A 2009 survey of 130 401(k) plans of various sizes by the ICI and Deloitte Consulting LLP found that the median all-in fee (that is, investments and recordkeeping) for the 401k plans surveyed was 0.72%.

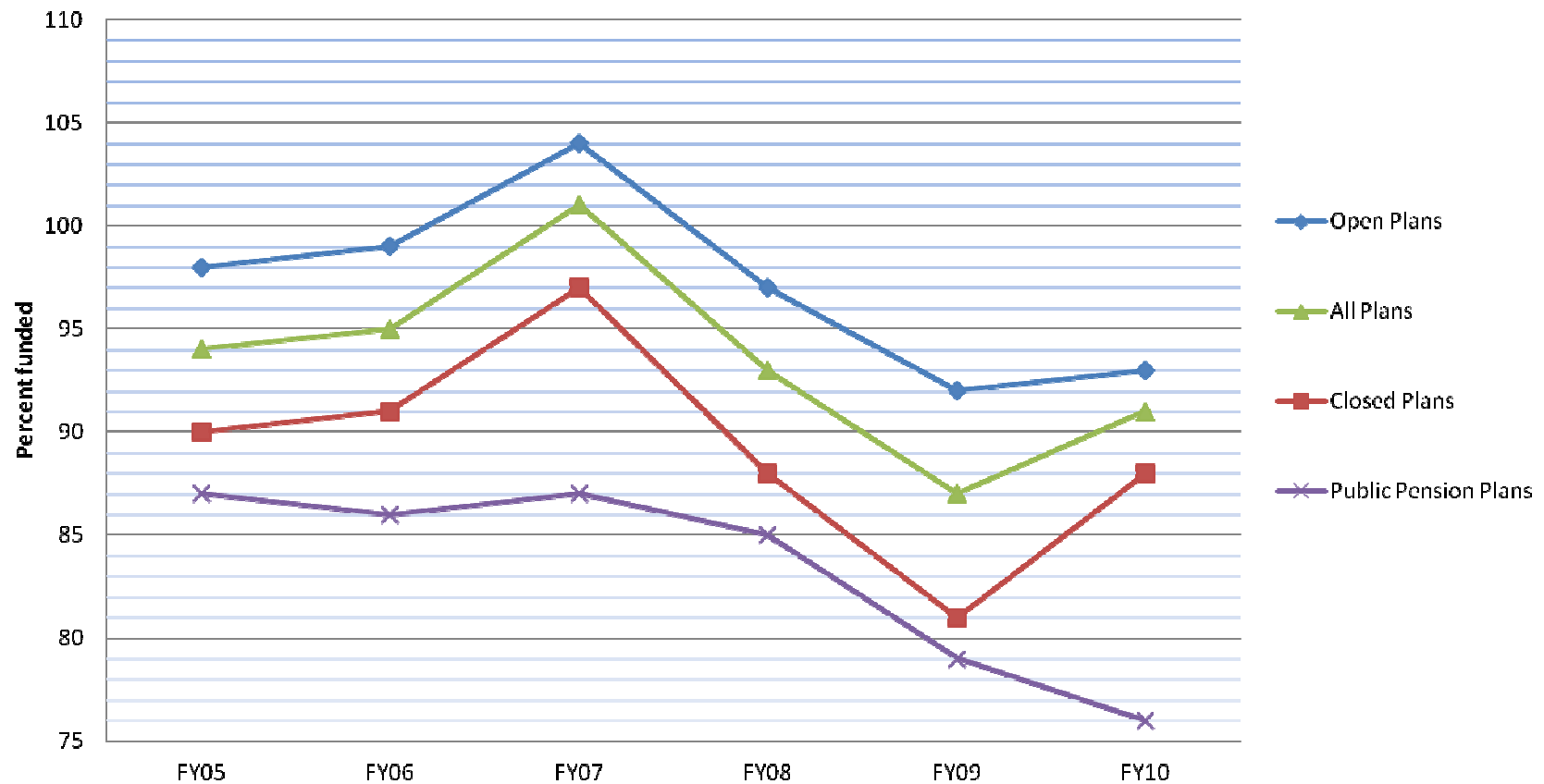
The survey also found that 90% of all 401k plans surveyed had an all-in fee of 1.72% or less.

As of July 6, 2011, CSPN has found that 90% of all direct sold 529 plan investment options have an all-in fee of 0.96% or less and 90% of all Class A share broker sold 529 plan investment options have an all-in fee of 1.53% or less.



Despite a few state-specific challenges, prepaid tuition plans remain attractive and viable options in the 12 states that continue to offer them.

Average Funded Status for Prepaid Plans (FY05-FY10)



CSPN 2010



Key CSPN Initiatives

Legal/Regulatory Affairs Committee – This is the largest and most comprehensive group of public and private sector attorneys in the 529 industry with broad and deep experience in a wide range of issues affecting 529 plans. Two initiatives to highlight include:

Municipal Advisor Letter to the SEC dated February 18, 2011

Disclosure Principles - CSPN, the states, and their partners in the financial services industry are firmly committed to continuously enhancing disclosure for 529 plans. To that end, CSPN continues to develop and adopt an increasingly refined set of Disclosure Principles that provide enhanced comparability of information that investors should consider when determining which 529 plan best fits their investing goals and needs.

DP No. 1 provided guidance on standards for summary information, risk factors, fees, federal and state tax information, performance data, sample tabular presentations - Adopted 12/4/04

DP No. 2 enhanced the table of contents or “locator” concept - Adopted 7/26/05

DP No. 3 added anti-abuse language - Adopted 12/9/08

DP No. 4 added language recommending an annual review by investors to insure savings goals are aligned with investment choices - Adopted 12/17/09

DP No. 5 provided a standard format for investment performance reporting - Adopted 5/3/11



Key CSPN Initiatives (cont.)

Current Legislative Initiative – HR 529 includes four proposed enhancements to 529 plans:

Two enhancements are designed to make saving for college more appealing to moderate income families:

Extend SAVERs tax credit to include savings in a 529 plan - The SAVER's credit (currently limited to retirement contributions) allows a nonrefundable tax credit to the contributor of up to \$1,000 for single filers or \$2,000 for joint filers. The eligibility for this credit is limited to those with incomes at or below \$28,250 single/\$56,500 joint for 2011.

Allow employers to match employees' 529 plan contributions up to \$600 per year. The employer match would be excluded from the employee's gross income, much as they can currently exclude greater amounts (up to \$5,250) that employers provide to employees through existing educational assistance plans.

Two technical improvements include:

Allow computers and related equipment as a qualified expense - A two-year version of this provision was included in the American Recovery and Reinvestment Act of 2009 which expired at the end of 2010.

Allow investment redirection up to four times per year - Treasury Notice 2009-1 allowed twice per year investment direction for 2009 only.



Key CSPN Initiatives (cont.)

Investor Education:

CSPN, with the aid of a public relations firm, proactively educates 529 plan investors and the public about the importance of saving for college and the features and tax advantages associated with saving in a 529 plan

- Semi-annual “529 Report”

- 6-8 press releases annually on topics such as 5/29 Day, reviewing your 529 savings options, College Savings Month, etc.

- Outreach to national media to correct common misperceptions about 529 plans

CollegeSavings.org is the most complete, non-commercial online source for information about 529 plans

- Links to all state 529 plan web sites

- Detailed information about each 529 plan maintained by each state/program

- Unique plan comparison tool allows comparisons by fees, tax benefits, investment options, and many other attributes

- 529 Classroom provides consumer education and information



Open Discussion and Q&A

Web: www.CollegeSavings.org

Email: cspn@csg.org